

Message Text

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ORIGIN EB-07

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LAB-04 STR-04 TRSE-00 FEA-01 CEA-01 CIAE-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 PA-01

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FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, IS

SUBJECT: ISRAEL AND GSP

REF: (A) TEL AVIV 1586; (B) TEL AVIV 1061; (C) STATE
29014; (D) TEL AVIV 2586; (E) TEL AVIV 2616

1. EMBASSY'S RECENT REPORTING WOULD SEEM TO INDICATE THAT
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GOI IS PREPARED TO ENTER INTO SUBSTANTIVE CONSULTATIONS
WITH U.S. ON MEASURES IT MIGHT NEED TO TAKE TO MEET REQUIRE-
MENTS OF SECTION 502(B)3 OF THE TRADE ACT. WE THOUGHT IT
USEFUL, HOWEVER, TO SUGGEST RESPONSES TO PREVIOUS GOI

QUESTIONS (REFTEL A) ON THEIR GSP ELIGIBILITY. EMBASSY MAY DRAW UPON THESE RESPONSES IN DISCUSSIONS WITH GOI.

2. WHEN EYTAN RAFF (ISRAELI ECONOMIC COUNSELOR) CALLED ON DEPTOFF ON MARCH 12 TO INQUIRE ABOUT REASON ISRAEL WOULD NOT BE DESIGNATED GSP BENEFICIARY AT TIME OF ISSUANCE OF EXECUTIVE ORDER, RAFF INDICATED THAT GOI HAD LABORED UNDER IMPRESSION THAT ITS NOTE OF FEB. 11 (REFTEL B) TO EMBASSY TEL AVIV WOULD CONSTITUTE SATISFACTORY ASSURANCE NEEDED BY PRESIDENT UNDER SECTION 502(B)3 OF THE TRADE ACT OF 1974.

3. DEPTOFF EXPRESSED SURPRISE THAT GOI WAS UNAWARE THAT CONSULTATIONS MENTIONED IN GOI NOTE (REFTEL B) WAS DIRECTED AT REACHING AGREEMENT ON SPECIFIC MEASURES NEEDED TO OFFSET ANY SIGNIFICANT ADVERSE EFFECT OF ISRAEL'S REVERSE PREFERENCES AND THAT SUCH AGREEMENT WAS TO BE THE BASIS FOR THE ASSURANCES REQUIRED UNDER SECTION 502(B)3. DEPTOFF SAW NO LIKELIHOOD THAT SIMPLE GENERAL ASSURANCES OF TYPE OFFERED IN GOI NOTE WOULD BE BASIS FOR INTERAGENCY RECOMMENDATION THAT A PARTICULAR COUNTRY SHOULD BE DESIGNATED A GSP BENEFICIARY IN SITUATION WHERE EXISTING PREFERENCES HAVE OR ARE LIKELY TO HAVE A SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE.

4. EMBASSY TEL AVIV SHOULD TAKE SIMILAR APPROACH IN DISCUSSING ISSUES RAISED IN QUESTION A (PARA. 2 OF REFTEL A). WE SEE NO INCONSISTENCY BETWEEN AGREEMENT TO BE REACHED THROUGH CONSULTATION AND UNDERSTANDINGS REACHED AT U.S.-ISRAEL ECONOMIC COMMITTEE DISCUSSIONS IN OCTOBER 1974. EMBASSY SHOULD ADDITIONALLY POINT OUT THAT SINCE CONSULTATIONS WILL BE NECESSARY WITH SEVERAL COUNTRIES AFFECTED BY SECTION 502(B)3, IT IS IMPORTANT THAT WE NOT APPLY CONTROVERSIAL PROVISIONS OF TRADE ACT IN INCONSISTENT MANNER IN DETERMINING GSP ELIGIBILITY OF THESE COUNTRIES. AGREED ACTIONS WOULD HAVE TO BE TAKEN BEFORE JANUARY 1, 1976 IN ORDER TO MEET THE TRADE ACT REQUIREMENTS. ACCORDINGLY, EARLY CONSULTATIONS SHOULD
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BE ARRANGED SO THAT AGREEMENT COULD BE REACHED WITHIN A TIME FRAME WHICH WOULD ALLOW ISRAEL'S DESIGNATION BEFORE GSP GOES INTO EFFECT. GOI SHOULD BE INFORMED THAT ONLY UNBOUND TARIFF REDUCTIONS ARE NEEDED TO MEET THE REQUIREMENT OF SECTION 502(B)3. SUCH TARIFF REDUCTIONS WILL BE CONSIDERED FOR PURPOSES OF RECIPROCITY TO THE EXTENT THAT THEY ARE BOUND IN THE MTN.

5. IN REPLY TO QUESTION D (PARA. 2 OF REFTEL A), SEE SEPTEL.

6. CONCERNING PARA. 3 OF REFTEL A, TRADE ACT MAKES NO

DISTINCTION BETWEEN PREFERENCES WHICH ARE GRANTED IN
CONTEXT OF FREE TRADE OR CUSTOMS UNION ARRANGEMENTS AND
THOSE WHICH ARE NOT. QUESTION OF ELIGIBILITY RAISED BY
SECTION 502(B)3 HINGES ON WHETHER OR NOT PREFERENCES
HAVE OR ARE LIKELY TO HAVE SIGNIFICANT ADVERSE EFFECT ON
U.S. COMMERCE. EMBASSY MAY POINT OUT THAT BOTH HOUSE AND
SENATE COMMITTEE REPORTS ON TRADE ACT SPECIFICALLY
MENTION EC-MEDITERRANEAN PREFERENTIAL AGREEMENTS IN
CONTEXT OF THE PURPOSE OF REQUIREMENTS OF SECTION 502(B)3.
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